

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 26 JULY 2017 at 2.00 pm

**Present:** Councillors Brunning, Exon, Glover, Irwin, Watson and Wilson

**Officers:** M Osborne (Deputy Chief Fire Officer), D Sutherland (Director of Finance and Assets), G Britten (Director of Legal and Governance), N Boustred (Head of Service Delivery), M Hemming (Deputy Director of Finance and Assets), A Hussain, Principal Accountant, L Swift (Director of People and Organisational Development), M Gibb (Internal Audit Manager), A Carter (BASI Project Manager), G Barry (Information Governance and Compliance Manager), M Grindley (Ernst & Young), A Kennett (Ernst & Young) and K Nellist (Democratic Services Officer)

**Apologies:** Councillors A Hussain, N Hussain and Teesdale

**0A01 ELECTION OF CHAIRMAN**

(Director of Legal and Governance presiding)

It was moved and seconded that Councillor Watson be elected Chairman of the Committee for 2017/18.

RESOLVED –

That Councillor Watson be elected as Chairman of the Committee for 2017/18.

**0A02 APPOINTMENT OF VICE-CHAIRMAN**

It was moved and seconded that Councillor Brunning be appointed as Vice-Chairman of the Committee for 2017/18.

RESOLVED –

That Councillor Brunning be appointed as Vice-Chairman of the Committee for 2017/18.

**0A03 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 8 March 2017, be approved and signed by the Chairman as a correct record.

**0A04 RIPA POLICY (MINUTE OA39 – 090316)**

RESOLVED –

To note that there had been no covert surveillance conducted by officers since the last meeting of the Committee.

**0A05 INTERNAL AUDIT REPORTS**

**a) Internal audit report: final audit reports**

The Internal Audit Manager advised that the purpose of this report was to update Members on the findings of the finalised Internal Audit report issued since the last Overview and Audit Committee meeting.

The 2016/17 Core Financial Controls audit had been finalised and recommendations had been agreed with the Deputy Director of Finance and Assets and suitable deadline dates for implementation had been identified and most actions had now been dealt with. The outcome of the report was that a 'substantial' level of assurance was given, that relevant risks were effectively identified, managed and controlled. The overall audit assurance was made up of three supporting judgements, on the adequacy of the risk management techniques, existing control framework and on the adequacy of compliance with existing control framework.

The Internal Audit Manager advised Members that the Core Financial Controls audit was the main part of the internal audit plan for the year and covered a large amount of key financial control areas. As part of the audit any actions that had been raised previously were followed up.

RESOLVED –

That recommendations raised in the finalised Internal Audit report be noted.

### **b) Update on Progress of Audit Recommendations**

The Internal Audit Manager advised that the purpose of this report was to update Members on the progress of the implementation of audit recommendations made as at 23 June 2017.

In total there were 26 recommendations to report on, 24 (92%) had been fully implemented, 1 (4%) was on track but not yet due and 1 (4%) was not implemented and the due date revised. There were no outstanding recommendations to bring to the attention of Members at this time and Internal Audit continued to actively monitor implementation of all outstanding recommendations throughout the year. The outstanding recommendations for Core Financial Controls had now been actioned since the report was written.

RESOLVED –

That the progress on implementation of recommendations be noted.

### **c) Annual Audit Report 16/17**

The Internal Audit Manager advised that the purpose of this report was to present the draft Annual Audit Report to Members which covered the whole of 2016/17.

The Chief Internal Auditor's opinion was that the Fire Authority's system of internal controls and risk management facilitates the effective exercise of the Authority's functions and this provided a 'reasonable' level of assurance regarding the effective and efficient and economic exercise of the Authority's functions. During 2016/17 there had been continued improvement to the system of internal control through the on-going development of policies and procedures covering the key control processes.

A Member stated that although the level of risk and key financial controls had to be audited, the level of risk an audit would expose was getting less and less and with the Authority now collaborating and joining up with other organisations, how best could it make use of this resource to drive it forward and connect with the public it serves.

RESOLVED –

That the content of the Annual Report be noted.

**OA06**

**ANNUAL GOVERNANCE STATEMENT 2016/17**

The Director of Legal and Governance advised Members that the purpose of this report was to submit the draft 2016/17 Annual Governance Statement on behalf of the Chairman of the Authority and the Chief Fire Officer for approval by this Committee. If approved in this format it would be published along with the Statement of Accounts.

The Director of Legal and Governance advised Members that the report had been based upon the six core principles of good governance set out in the CIPFA/SOLACE guidance (2007, revised and updated 2012). Members' attention was drawn to the review undertaken as to whether to change the size of membership of the Authority; and to the independent review of operational assurance that had taken place. He also asked Members to look at the two appendices attached to the report. The first was the progress of recommendations for the Annual Governance Statement 2015/16, and the second was the recommendations for priorities for 2017/18.

RESOLVED –

1. That the Annual Governance Statement be approved.
2. That the progress on the implementation of recommendations of the previous Annual governance Statement (Appendix A to the Annual Governance Statement) be acknowledged.
3. That the priorities for 2017/18 (Appendix B to the Annual Governance Statement) be agreed.

**OA07**

**AUDIT RESULTS REPORT AND ANNUAL AUDIT LETTER**

The External Audit Manager advised Members that this report summarised the findings from the 2016/17 audit. It included messages arising from the audit of the Authority's financial statement and the results of the work on how the Authority secures value for money in its use of resources.

The External Audit Manager commended the Authority for producing the Statement of Accounts ahead of the new deadline, which becomes statutory next year, for the second year running. She felt that many other authorities were still struggling with the new deadline, so for this Authority to have already achieved it two years running was a fantastic achievement. The External Audit Manager also thanked the teams for the quality of work and timeliness of response to their queries. It was not something that happened easily when you look at the size of the Statement and the complexities in it.

The External Audit Manager advised Members that there were two points not picked up within the report. The first was an additional disclosure which was a new requirement required this year. The second was regarding the use of Barnett Waddington as the Authority's Valuers. This was regarding the assumptions they were making as valuations, it did not affect the accounts or the material items within the accounts. Neither of these reflected any concern.

The External Audit Manager advised Members that also included was the Annual Audit Letter, the purpose of which was to communicate to Members and external stakeholders, including members of the public, the

key issues arising from the Audit Results Report and anything they consider should be brought to the attention of the Authority.

RESOLVED –

1. That the content of the Audit Results Report be noted.
2. That the Annual Audit Letter for the year ended 31 March 2017, be considered and approved for publication.

#### **OA08**

#### **LETTER OF MANAGEMENT REPRESENTATION 2016/17**

The Committee considered the Letter of Management Representation to Ernst & Young to be signed by both the Director of Finance and Assets and the Chairman of the Committee in order for the audit opinion and conclusion to be issued.

There was also a letter previously sent from the Chairman to Ernst & Young to provide them with assurance as to how the Overview and Audit Committee get assurance from the Management of the Authority.

RESOLVED –

That the Letter of Representation be approved for signature by the Chief Finance Officer and the Chairman of the Committee.

#### **OA09**

#### **ADOPTION OF THE AUDITED STATEMENT OF ACCOUNTS**

The Principal Accountant advised Members that the Authority had managed to close its accounts in July, although the requirement this year was September, so as previously stated by the External Auditor, the Authority had managed to close the account early two years in a row. The Principal Accountant also confirmed to Members that the additional disclosure had not changed any figures in the statement of accounts, it just provided additional breakdown of some of the figures reported. The Principal Accountant also advised Members that the Authority was confident that the methodology used by Barnett Waddington was acceptable, but it would be regularly reviewed to ensure it was acceptable to the External Auditors.

A Member asked if the 'other payments' paid to senior officers was a bonus payment and was advised that it was.

A Member asked for details of the prior years' Council Tax surpluses due from each billing Authority in 2017-18 and was advised that this would be provided after the meeting.

RESOLVED –

That the Statement of Accounts for the financial year ended 31 March 2017 be approved for signing by the Chairman of the Committee.

#### **OA10**

#### **REVIEW OF FINANCIAL REGULATIONS**

The Deputy Director of Finance and Assets advised Members that one of the recommendations that came out of the audit on Core Financial Controls was a review and update of the Financial Regulations. The review, taking on board recommendations from internal audit, was a refresh rather than a rewrite of the Regulations. The Financial Regulations were last approved by the Authority in June 2014. The key changes that had been made were as follows:

- the removal of the requirement for the Executive Committee to approve a virement if it involves a transfer of resources from revenue to capital in excess of £10,000;

- removal of references to obsolete policies, namely the Finance and Value for Money Strategy and the Invest to Save Policy;
- updated references to reflect current legislation;
- replaced any references to SAP with 'financial system' as the Authority now had a new financial system;
- removed the glossary and contacts list
- minor formatting and typographical adjustments.

RESOLVED –

That the Financial Regulations as amended (Appendix A) be recommended to the Authority for approval.

## **OA11**

### **REVIEW OF STANDING ORDERS RELATING TO CONTRACTS**

The Deputy Director of Finance and Assets advised Members that this report presented the revised Standing Orders Relating to Contracts. The Standing Orders Relating to Contracts were last approved by the Authority in June 2013. The key changes in the latest version included:

- increasing the threshold for requiring three written quotations from £5,000 to £10,000;
- updating of the European Union thresholds;
- updating procedures where relevant to facilitate the use of e-tendering;
- revising the limit for asset disposals (other than land or property) to be £10,000 and for this to relate to net book value rather than 'estimated' value;
- requirements for keeping contracts updated in line with the latest data transparency legislation
- all references to 'Treasurer' have been replaced with 'Chief Finance Officer'.

A Member asked how often the Standing Orders Relating to Contracts would be reviewed and was advised that they would be reviewed every three years as a minimum.

RESOLVED –

That the Standing Orders Relating to Contracts as amended (Appendix A) be recommended to the Authority for approval.

## **OA12**

### **TREASURY MANAGEMENT PERFORMANCE Q4 16/17**

The Director of Finance and Assets advised Members that it was best practice to review, on a regular basis, how Treasury Management activity was performing. A very proactive stance was taken in managing the Authority's money, and the relative performance of the investments were measured against two benchmark figures. The 7 day LIBID, which was the rate the Authority would have earned on all balances had the SLA with BCC continued into future years (this had fallen from 0.36% to 0.12% since the EU Referendum) and the Capita benchmark. This was the indicative rate that Capita advised the Authority should be looking to achieve for 2016/17 at the start of the year which was later revised down from 0.59% to 0.25% in July 2016.

The Director of Finance and Assets asked Members to consider that in the future they might try and diversify the portfolio to bring in property, but it

would need to be undertaken in a managed way. This was something to discuss in the future.

A Member asked why the maximum investment was six months and was advised that external advice from Capita was to keep investments for no longer than six months. The Committee was advised that Treasury Management was only brought in house a few years ago and at that time Members were keen that it was kept very low risk. The Authority would look at other options as part of its Treasury Management Strategy.

RESOLVED –

That the Treasury Management Performance 2016/17 – Quarter 4 report be noted.

## **OA13**

### **CORPORATE RISK MANAGEMENT**

The Deputy Chief Fire Officer advised that the Corporate Risk Management update was a standing item on the Overview and Audit Committee agenda and therefore reviewed at every meeting. It was produced in conformance with the Authority's Corporate Risk Management Policy, a copy of which new Members should have received prior to the meeting.

The Deputy Chief Fire Officer advised Members that they would have seen there had been some changes to the Corporate Risk Register since it was last presented to the Committee in March 2017. The main changes were set out in the Executive Summary. Firstly, the ageing workforce risk had been de-escalated to the People and Organisational Development directorate risk register, largely as result of the success of the firefighter apprenticeship scheme and plans for a further intake of apprentices. However, this risk would continue to be scrutinised on a quarterly basis by the internal Performance Management Board as well as being subject to regular review within the People and Organisational Development Directorate. The scope of the staff availability risk had been increased to include the risks arising from the impact of transformation at pace coupled with the potential impact of staff recruitment activity by neighbouring fire and rescue services on staff retention and overall workforce stability.

Finally an emerging risk to the continuity of the Authority's paging service used to mobilise on-call appliances, officers, workshops, the Resource Management Team (RMT) and ICT has been added following Vodafone's decision to close its 'Vodapage' service on 31 March 2018. The Authority was currently exploring potential replacement options for this service and it planned to have something in place well ahead of the cut-off date for the existing service.

RESOLVED –

1. That the status of identified corporate risks at Annex C be reviewed.
2. That comments to officers for consideration and attention in future updates/reports be provided.

## **OA14**

### **OPERATIONAL ASSURANCE IMPROVEMENT PLAN**

The Head of Service Delivery advised Members that as part of the Authority's preparation for future inspection by a newly formed HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), in October last year Operational Assurance Limited (OAL) were commissioned to provide an independent report into the operational effectiveness of this Service. Commissioning OAL had provided the

Authority with a valuable and fully independent insight into the effectiveness of its operations.

The Head of Service Delivery advised Members that in general the report was extremely positive and also identified a number of areas where it was felt improvement could be made. Three priority areas for improvement were identified. Two of these areas had already been completed. The third area required significant development around our supporting systems, ICT support and processes. Good progress was being made in this area. All other aspects of our wide ranging improvement plan was being progressed.

RESOLVED –

That the content of the OAIP within Annex A be noted.

**OA15 BUSINESS AND SYSTEMS INTEGRATION PROJECT (BASI):  
PROGRESS REPORT**

The Business and Systems Integration Project Manager advised Members that the Authority had gone live with the Finance, HR and Payroll Systems, and thanked everyone involved as it was a large piece of work. Alongside that, the project management audit actions continued to be progressed, two had been completed, two were ongoing and one was due by the end of July. Spend across the project remained on track and was well within budget. There were no plans to spend the contingency this year.

The Business and Systems Integration Project Manager advised Members that the project was on track and now moving onto the next stage which was:

- Review of feedback to ensure new ways of working were embedded;
- Continue to review Finance/HR and Payroll processes to ensure the project meetings its objectives to streamline and automate processes;
- Building and testing of the new eRecruitment processes and system;
- Workshops with end users for the Premises Risk Management system, to further refine and scope potential system requirements prior to implementation.

RESOLVED –

That the report be noted.

**OA16 EXCLUSION OF PRESS AND PUBLIC**

RESOLVED –

By virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as the appendix contains information relating to the financial of business affairs of a person (including the Authority); and on these grounds it was considered the need to keep information exempt outweighs the public interest in disclosing the information.

**OA17 ICT DISASTER RECOVERY PLAN**

The Deputy Chief Fire Officer advised that this update had been brought to Members outlining the Service's intentions to improve its resilience to cyber-attacks. Members would be aware of the growing threat of global cyber-attacks, they were increasing almost exponentially in frequency and, generally but not always, with increasing sophistication. The most recent global attack utilised a rather old virus but was successful due to

the volume and the disguising of the virus from users who would unwittingly open an infected email attachment.

The Authority's strategy was to take a layered approach to its defences. It had invested in advanced software to intercept suspicious emails before they arrive in individuals' email boxes. It had also increased the education of its staff to both recognise and safely deal with a suspicious email. Should a member of staff inadvertently open an infected email then the damage was limited by software that recognises and quickly quarantines the virus.

The Deputy Chief Fire Officer advised Members that the Authority's systems had successfully dealt with the recent wave of attacks with no infections to its systems. Due to the increasing volume and sophistication of cyber-attacks it had to assume that there would be a successful attack in the future. As such, it was investing in a dual back up system. Primarily it would replicate its systems through a 'cloud' provider. This would mean that if the primary system was infected, it would be able to cut over to the new system very quickly with minimal loss of data and productivity. The second line of recovery was to maintain back up tapes stored at a remote location (as it currently does now). This insured against the unlikely event of an infection that was so sophisticated that it penetrates the Authority's and its cloud providers systems. The ICT Disaster Recovery review was operationally sensitive, therefore it was necessary to present to Members as an exempt report.

RESOLVED –

That the report be noted.

**OA18**

**DATE OF NEXT MEETING**

The Committee noted that the next meeting of the Committee would take place on Wednesday 15 November 2017 at 10.00am.

THE CHAIRMAN CLOSED THE MEETING AT 15.34PM